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Improving the financial situation of the United Nations

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Report of the Secretary-General

Summary

The present report updates the information on the financial situation of the United Nations contained in the previous report of the Secretary-General (A/63/514) and provides a review of the Organization's financial situation as at 31 December 2008 and updated projections based on information as of 7 May 2009.

The report considers four main financial indicators: assessments issued; unpaid assessed contributions; available cash resources; and the Organization's outstanding debt to Member States. At 31 December 2008, assessments issued during 2008 were higher than at 31 December 2007 for peacekeeping operations and the international tribunals, but lower for the regular budget and the capital master plan. Unpaid assessments at 31 December 2008 were lower than at 31 December 2007 for all categories, except peacekeeping operations.

Cash balances at the end of 2008 were higher than at the end of 2007 for all categories, except the regular budget.

Amounts owed to troop and equipment providers had decreased to $431 million at 31 December 2008, reflecting payments exceeding new obligations incurred during 2008.

While the 31 December 2008 year-end situation reflected improvement as compared to the situation at 31 December 2007, a negative trend has emerged in 2009 across all categories in the number of Member States meeting their obligations to the United Nations in full and on time. Cash balances are projected to be positive at the end of 2009; however, unpaid assessed contributions continue to be heavily concentrated among a few Member States, and the final outcome for 2009 will depend in large measure on the payments that they make during the remainder of 2009.

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I. Introduction

1. The present report, which updates the information on the financial situation of the United Nations contained in the previous report of the Secretary-General (A/63/514), provides a review of the Organization's financial situation at 31 December 2008 and updated projections based on information as of 7 May 2009.

2. The 31 December 2008 year-end situation reflected improvement as compared to the situation at 31 December 2007. Although some indicators reflect continued progress during early 2009, a negative trend has emerged across all categories in the number of Member States meeting their obligations to the United Nations in full and on time.

3. The financial strength of the United Nations has traditionally been measured by four main indicators: assessments issued; unpaid assessed contributions; available cash resources; and the Organization's outstanding debt to Member States.

II. Review of the financial situation at 31 December 2008

4. A review of the financial situation shows decreases in the level of assessments for the regular budget (from $2,054 million at 31 December 2007 to $1,880 million at 31 December 2008) and the capital master plan (from $353 million to $341 million), and increases for peacekeeping (from $6,935 million to $7,599 million) and the international tribunals (from $296 million to $310 million). At 31 December 2008, unpaid assessments for the regular budget, the international tribunals and the capital master plan were lower than at the end of 2007. Unpaid assessments for peacekeeping operations were higher than at the end of 2007.

5. The Secretary-General would like to pay a special tribute to the 25 Member States that had paid in full all assessed contributions due and payable at 31 December 2008 for the regular budget, peacekeeping operations, the international tribunals and the capital master plan: Australia, Austria, Azerbaijan, Canada, Croatia, the Czech Republic, Denmark, Finland, Germany, Ireland, Italy, Kazakhstan, Kuwait, Monaco, New Zealand, Norway, Poland, the Republic of Moldova, Singapore, the Slovak Republic, Slovenia, Solomon Islands, Sweden, Switzerland and Thailand. Other Member States are urged to follow the example of those countries.

A. Regular budget

6. Assessments and payments to the regular budget were both lower in 2008 than in 2007, by $174 million and $96 million, respectively. Unpaid assessed contributions were lower by $11 million, at $417 million, at 31 December 2008, compared to $428 million at 31 December 2007.

7. On a positive note, 146 Member States had paid their regular budget assessments in full by the end of 2008, six more than in 2007. The Secretary-General wishes to thank the Member States that honoured their obligations to the regular budget in full at 31 December 2008 and urges all Member States that have not yet done so to pay in full their assessed contributions as soon as possible.

8. Of the $417 million that remained outstanding at 31 December 2008, over 97 per cent was owed by just three Member States (Chile, the Islamic Republic of Iran and the United States of America), and under 3 per cent related to the remaining 43 Member States. A total of 76 Member States had paid their assessments to the regular budget in full by 7 May 2009, compared to 86 by 7 May 2008.

9. The financial position of the regular budget at 7 May 2009 as compared to 7 May 2008 reflects the net result of both higher assessments and higher payments received. Unpaid assessed contributions were $216 million higher on 7 May 2009 than a year earlier. The $1.5 billion outstanding on 7 May 2009 is also very highly concentrated, with nine countries (Brazil, China, Germany, the Islamic Republic of Iran, Mexico, Norway, the Republic of Korea, the United Kingdom of Great Britain and Northern Ireland and the United States of America) accounting for over 94 per cent of the total. Clearly, the final outcome for 2009 will depend in large measure on what action is taken by those particular Member States.

10. Cash resources for the regular budget comprise: the General Fund, to which assessed contributions are paid; the Working Capital Fund, to which advances are authorized periodically by the General Assembly; and the Special Account. At the end of 2008, $19 million of cash was available for the regular budget. At 30 April 2009, that amount stood at $791 million, with another $393 million in the related reserve accounts (the Working Capital Fund and the Special Account). The positive change for the regular budget is due to a net increase in payments over expenditures in the first quarter of the year. The modest increase in the Special Account of $1 million from $242 million at 31 December 2008 is due to accumulated interest credited to the fund. At this stage, it is projected that at the end of the year the regular budget would have a positive cash balance. The final position for 2009 will depend in large measure on the action taken by the above-mentioned nine countries (see para. 9 above).

B. Peacekeeping operations

11. The unpredictable nature of the demand for peacekeeping activities makes it hard to predict financial outcomes with any confidence. In addition, peacekeeping has a different financial period, running from 1 July to 30 June rather than from 1 January to 31 December; assessments are issued separately for each operation; and since assessments can currently be issued only through the mandate period approved by the Security Council for each mission, they are issued for different periods throughout the year. All of these factors complicate a comparison between the financial situation of peacekeeping operations and that of the regular budget and the international tribunals.

12. The total amount outstanding for peacekeeping operations at the end of 2008 was just under $2.9 billion, compared to the approximately $2.7 billion outstanding at the end of 2007. Over two thirds of the $2.9 billion outstanding at the end of 2008 was owed by two Member States ($1,097 million by Japan and $860 million by the United States).

13. Owing to the unpredictable amount and timing of peacekeeping assessments throughout the year, it can be more difficult for Member States to keep fully current with assessments. The Secretary-General wishes to give special thanks to the 25 Member States that paid all peacekeeping assessments that were due and payable

on 31 December 2008: Australia, Austria, Azerbaijan, Canada, Croatia, the Czech Republic, Denmark, Finland, Germany, Ireland, Italy, Kazakhstan, Kuwait, Monaco, New Zealand, Norway, Poland, the Republic of Moldova, Singapore, the Slovak Republic, Slovenia, Solomon Islands, Sweden, Switzerland and Thailand

14. Although cash available for peacekeeping at the end of 2008 amounted to over $2.7 billion, it was divided between the separate accounts maintained for each peacekeeping operation; furthermore, there are restrictions on the use of that cash. In its resolutions on the financing of peacekeeping operations, the General Assembly has specified that no peacekeeping mission shall be financed by borrowing from other active peacekeeping missions. In addition, the terms of reference of the Peacekeeping Reserve Fund restrict its use to new operations and the expansion of existing ones. Of the total cash available in peacekeeping accounts at the end of 2008, $2,105 million related to active missions, $504 million to closed missions and the balance of $143 million to the Peacekeeping Reserve Fund.

15. The financial position of peacekeeping operations at 7 May 2009 showed significant improvement. New assessments of just under $1.5 billion had been issued by that date. Against this, contributions of over $2.6 billion were received, reducing the amount outstanding from over $2.8 billion to under $1.8 billion. In this regard, the Secretary-General wishes to pay special tribute to the 20 Member States that paid all peacekeeping assessments that were due and payable on 7 May 2009: Austria, Azerbaijan, Canada, Croatia, the Czech Republic, Denmark, Finland, Germany, Ireland, Italy, Monaco, New Zealand, Norway, the Republic of Moldova, Singapore, the Slovak Republic, Sweden, Switzerland, Tajikistan and Uganda.

16. On the basis of information currently available, the total cash available in peacekeeping accounts at the end of 2009 is expected to amount to about $2.3 billion: $1.7 billion in the accounts of active missions, $449 million in the accounts of closed missions and $152 million in the Peacekeeping Reserve Fund. These estimates are based on projected income and expenditures and on the proposed retention of cash balances in closed peacekeeping operations.

17. Of the $449 million expected to be available in the accounts of closed peacekeeping operations at the end of 2009, $219 million relates to amounts to be paid for outstanding liabilities, such as troop and equipment payments, leaving only $230 million freely available for possible cross-borrowing for other accounts, including the regular budget, the international tribunals and active peacekeeping operations. Cross-borrowing from the accounts of closed peacekeeping operations was required in 2008 for seven active operations (the United Nations Interim Administration Mission in Kosovo (UNMIK), the United Nations Observer Mission in Georgia (UNOMIG), the United Nations Operation in Côte d'Ivoire (UNOCI), the United Nations Mission in Liberia (UNMIL), the United Nations Mission for the Referendum in Western Sahara (MINURSO), the United Nations Peacekeeping Force in Cyprus (UNFICYP) and the United Nations Stabilization Mission in Haiti (MINUSTAH)).

C. International tribunals

18. The financial position of the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia improved in 2008. Outstanding

assessments for the two tribunals fell from $34 million at the end of 2007 to $26 million at the end of 2008.

19. The unpaid assessment of $26 million at the end of 2008 was highly concentrated, as only two Member States accounted for more than 80 per cent of the total ($19 million by the United States, and $2 million by Indonesia). Much will depend, therefore, on the action taken by those Member States.

20. A total of 105 Member States had paid their assessed contributions in full for both international tribunals by the end of 2008, matching the level at the end of 2007. The Secretary-General wishes to express his appreciation to those 105 Member States that paid in full their assessed contributions by 31 December 2008 and urges other Member States to follow their example.

21. The financial situation of the international tribunals has worsened in 2009. Eighteen fewer Member States had paid their assessed contributions to both tribunals in full by 7 May 2009 than by 7 May 2008. Unpaid assessments at 7 May 2009 amounted to $158 million, reflecting a higher level than the unpaid amount of $147 million at 7 May 2008. Nevertheless, based on current projections, the tribunals are expected to end the year with positive cash balances. Once again, however, the actual outcome will depend on whether Member States continue to honour their financial obligations to the tribunals.

D. Capital master plan

22. In its resolution 61/251, the General Assembly approved a total budget for the capital master plan of $1.88 billion. Two options were approved by the General Assembly to fund the remainder of the project:

(a) A one-time assessment, whereby Member States would settle their total capital master plan assessments in full in 2007, based on the 2007 rates of assessment;

(b) A multi-year assessment, whereby Member States would make equal payments over five years based on the rates of assessment for 2007.

23. Twelve Member States opted for one-time payment, with the remaining 180 Member States falling under the multi-year payments system. As of 7 May 2009, 185 Member States have made payments totalling $1,048 million, with $139 million still outstanding. In addition, a number of Member States that did not choose the one-time payment have nevertheless made advance payments totalling $118 million.

24. In addition to the cost of project, the General Assembly approved the establishment of a working capital reserve of $45 million. The reserve is to be funded from the advances from Member States and is apportioned at the rates of assessment for 2007. As of 7 May 2009, 163 Member States have already made payments for the working capital reserve which totalled $44.9 million.

25. As of 7 May 2009, 84 Member States have paid their assessments due and payable in full, while another 101 Member States have made partial payments. Regrettably, seven Member States have not yet made any payments to the capital master plan.

III. Debt to Member States

26. The amount owed for troops and formed police units and contingent-owned equipment at 31 December 2008 was $431 million. New obligations are projected to increase in 2009 compared to 2008, primarily reflecting the increased deployment of troops at the African Union-United Nations Hybrid Operation (UNAMID) in Darfur, the deployment of a military component at the United Nations Mission in the Central African Republic and Chad (MINURCAT) and of additional military contingent and formed police units at the United Nations Organization Mission in the Democratic Republic of the Congo (MONUC), partly offset by the termination of the mandate of the United Nations Mission in Ethiopia and Eritrea (UNMEE), the downsizing of formed police units at UNMIK and reduction in the authorized military strength of UNMIL.

27. Taking into account projected new obligations of $1.9 billion and projected payments of just under $1.6 billion, it is foreseen that debt will increase to $765 million at the end of 2009. As at 30 April 2009, the amount owed was $919 million, of which approximately half is owed to seven Member States (Pakistan, India, Bangladesh, Egypt, Jordan, Nepal and Nigeria). Projected payments for 2009 are dependent on timely finalization of memorandums of understanding. As at 30 April 2009, out of 271 memorandums of understanding for all peacekeeping missions, 29 (11 per cent) were yet to be finalized. Naturally, the level of payments will also depend on Member States meeting their financial obligations to the United Nations.

IV. Conclusions

28. There were some encouraging signs of progress in the financial position of the Organization at the end of 2008. Some indicators also reflect further progress in 2009. Notably, unpaid assessments for peacekeeping operations at 7 May 2009 are significantly below the level of one year ago. However, in the case of the regular budget and the international tribunals, unpaid assessments are higher at 7 May 2009 as compared to 7 May 2008. In addition, unpaid assessed contributions continue to be heavily concentrated among a few Member States, making the final outcome for 2009 dependant in large measure on the action that will be taken by those particular Member States.

29. As regards the number of Member States that are meeting their financial obligations to the Organization in full, a negative trend has emerged in 2009. At 7 May 2009, the number of Member States which had paid their assessments in full was below levels of one year ago across all categories. In this context, the Secretary-General wishes to pay a special tribute to the Member States that had paid in full all assessments for the regular budget, the international tribunals, the peacekeeping operations and the capital master plan that were due and payable at 7 May 2009: Austria, Azerbaijan, Canada, Croatia, the Czech Republic, Finland, Ireland, Italy, Monaco, New Zealand, the Republic of Moldova, Singapore, the Slovak Republic, Switzerland, Tajikistan and Uganda. In addition, Australia has paid in full its due and payable assessments since 7 May 2009. Other Member States are urged to follow the example of those countries.